

Meeting:	Overview & Scrutiny Cabinet	Date:	28th February 2022 9th March 2022
Subject:	Financial Monitoring - Quarter 3, 2021/22		
Report Of:	Cabinet Member for Performance and Resources		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
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Appendices:	1. Detailed Performance by Portfolio 2. Capital Monitoring 3. Savings Progress		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To present to members the Council's current financial position against the agreed budgets for the 2021/22 financial year, and report on the performance of the Council against certain key financial performance indicators.
- 1.2 For Cabinet to note year-end forecasts, and the financial pressures on the Council during the 3rd Quarter ended 31st September 2022.

2.0 Recommendations

- 2.1 Overview and Scrutiny Committee is asked to consider the information contained in the report and make any recommendations to the Cabinet.
- 2.2 Cabinet is requested to **note** that:
 - (1) The forecast year-end position for the financial year is currently a decrease to the General Fund balance of £109k against a budgeted increase of £129k.
 - (2) The details of specific budgetary issues identified by officers and the actions being taken to address those issues.
 - (3) The current level of Capital expenditure as shown in **Appendix 2**.
 - (4) The financial implications of Covid-19 and the level of economic recovery from the effects of the pandemic will continue to be monitored and reported alongside any grant funding provided to mitigate the spend or lost income.
 - (5) The estimated nature of some of the figures included in this report because of the cyber incident in December 2021.

3.0 Background and Key Issues

- 3.1 The Council approved the 2021/22 Budget in February 2021. This report sets out the financial position as at the end of December 2021 and is based on actual costs and income for the Quarter 3 of 2021/22 and forecast for the remainder of the financial year. Financial performance is a key element within the assessment of the Council's overall performance framework and is essential to achievement of the objectives within the Council's Policy Agenda and Plan.
- 3.2 The financial year 2020/21 was dominated by Covid-19 and its impact on the activities and finances of the Council. The pandemic created significant financial challenges for the Council with additional unexpected activities and their associated costs. These challenges have continued into 2021/22 with the focus continuing to be on ensuring the Council has sufficient financial resources to achieve its service delivery obligations.
- 3.3 The cyber incident in December 2021 has inevitably led to further financial pressures for the Council and disruption to the collation of this financial report. An initial estimate in relation to the net costs that will be incurred in Quarter 4 of 2021/22 of £150k has been included in the forecast outturn. Whilst the investigatory and recovery work is ongoing the full extent of the costs of the cyber incident is unknown. Accordingly, proposals to utilise some of the additional funding announced in the December Local Government Finance Settlement to increase the reserves are being included in the Money Plan and Budget being presented to Council on 24th February.
- 3.4 The forecast outturn at the end of Quarter 3 is to deliver a deficit of £238k against budget for the financial year 2021/22. As noted above, the December cyber incident has impacted on the production of this budget monitoring report and the figures included are based off the November 2021 ledger position with our best estimates of the costs and income incurred in December. Manual processes have been developed to ensure the Council continues to meet its obligations in relation to payments, and where possible collects the income due to it. Costs in relation to all the major contracts and arrangements have been updated based on the contractual arrangements, income and other costs are included on a best estimate basis.
- 3.5 In response to the continuing implications of the COVID19 pandemic in 2021/22, the Council was allocated £743k grant by central government. In addition, the Sales, Fees and Charges (SFC) compensation scheme was extended to the end of Quarter 1; the government has ended this compensation scheme as at the end of June 2021. The current forecast additional spending and income loss for 2021/22 is matched by the in-year funding awarded and the estimated income from the SFC compensation scheme. This report includes an accrual for the SFC claim submitted for Quarter 1 of £400k; settlement of this amount is still outstanding.
- 3.6 As noted in the Quarter 2 Budget Monitoring Report, the income of the Council has continued to be significantly impacted by Covid-19 during the first half of the financial year 2021/22. The third quarter has continued to see the performance of some of the affected income generating areas gradually improve. However, this recovery is slow and there is still uncertainty surrounding the long-term impact of the pandemic on some of the income sources in the Council budget. We will continue to closely monitor both income and expenditure pressures because of the pandemic and report these to central government.
- 3.7 The pressures or opportunities identified from in year budget monitoring have been included in the Money Plan and Budget to be presented to Council on 24th February 2022.

4.0 Whole Council Summary

4.1 The summary table below shows the forecast outturn position for the Council by Cabinet portfolio. **Appendix 1** provides the breakdown of the totals within each portfolio.

Council Summary	21/22		Year End	Final
	Budget	Actual	Final	Variance
Communities & Neighbourhoods	983	518	947	(36)
Performance & Resources	1,113	2,472	2,708	1,595
Culture & Leisure	1,332	859	1,353	21
Planning & Housing Strategy	1,331	265	1,543	212
Environment & Leader	5,969	4,063	5,926	(43)
Corporate & Funding	(10,857)	(9,513)	(12,369)	(1,512)
Total	(129)	(1,336)	109	238

4.2 The December cyber incident has meant that the year end forecast position has switched from the net increase of £180k to the General Fund forecast at Quarter 2, to being a net decrease of £109k. However, as noted in section 3 above there is a significant level of uncertainty surrounding the recovery of income streams from the impact of the Covid pandemic, and regarding the impact of the cyber incident on both the costs and the income of the Council.

4.3 The variances currently noted from the budget monitoring process are explained by portfolio below.

5.0 Items of note by Portfolio

Communities and Neighbourhoods

Communities & Neighbourhoods	21/22		Year End	Forecast
	Budget	Actual	Forecast	Variance
Community Strategy & Other Projects	798	513	782	(16)
Community Grants	125	(24)	120	(5)
Shopmobility	60	29	45	(15)
Total	983	518	947	(36)

5.1 This portfolio is currently forecast to be favourable to budget by £36k. This is primarily a result of staff vacancies in the Community Wellbeing service and at Shopmobility in the early part of the current financial year.

5.2 As noted in the Quarter 2 report, the Communities teams has continued its collaborative working with the County Council and the neighbouring districts to ensure a co-ordinated response to the pandemic, and where appropriate costs have been shared. This along with a variety of targeted Government grants is enabling spend to be maintained within the budgeted levels.

Performance and Resources

Performance & Resources	21/22		Year End	Forecast
	Budget	Actual	Forecast	Variance
Financial & Corporate	805	533	749	(56)
Revenues & Benefits	915	339	678	(237)
IT	1,898	1,396	2,085	187
Parking	(1,583)	(739)	(1,058)	525
Business Support	361	229	340	(20)
Democratic Services	824	596	824	(0)
Asset Management	1,001	835	1,038	37
Commercial Property	(2,617)	(906)	(2,268)	348
SWRDA	(75)	(59)	(78)	(3)
Cemeteries & Crematorium	(1,514)	(913)	(1,230)	284
Internal Audit	198	118	164	(33)
Transformation/Commercialisation	118	81	140	22
HR & Communications	369	334	480	111
Legal Services	407	349	451	44
Housing Subsidy	(377)	2	3	380
Customer Services	384	280	392	8
Total	1,113	2,472	2,708	1,595

- 5.3 This portfolio includes many of the income generating activities of the Council that have been impacted by the Covid-19 pandemic, including Parking, Commercial Properties, and Revenues & Benefits. It also includes the IT budget which has been impacted by the increased costs in relation to the cyber incident.
- 5.4 The number of people parking in the city centre have slowly been increasing since the end of the lockdown in May 2021. The incidence of the Omicron variant of Covid over the festive period led to a slowing of this improvement in visitors to Gloucester in December. As a result the year end forecast outcome has declined by £25k from Quarter 2 to a shortfall for the year of £525k. The lost income from parking during Quarter 1 has been included in the Sales, Fees & Charges claim that has been submitted to the Government.
- 5.5 The Council manages more than £30m of Housing Subsidy and benefit payments, and the smallest percentage change can have a significant impact on the final outturn. There is a forecast budgetary pressure of £380k arising from the cost of providing Housing Subsidy. This cost is out of the Council's control. This pressure is mitigated by new burdens funding and the increased recovery of historic housing benefit overpayments by the Revenues & Benefits service that have reduced the net service spend by £237k.
- 5.6 The forecast for the Commercial Property portfolio is still for the full year to be adverse to budget by £348k. However, several new tenants have taken up occupancy at the various sites during Quarter 3 improving this forecast, and it should be noted that the St Oswald's and Eastgate properties are continuing to perform well despite the impact of the pandemic on retailers. The position is gradually improving as the Kings Square redevelopment approaches completion, and several new units have opened during Quarter 3, including Primark and Jamaica Blue.
- 5.7 As at Quarter 2, there continues to be a forecast budget pressure in the Cemeteries & Crematorium service. The current forecast outturn shows an improvement of £42k on the Quarter 2 position to a shortfall of £284k as a result of increased bookings at the Arbor since it has been able to open on a limited scale to cater for wakes. As

noted in the summary above, this is lost income that has been included in the Sales, Fees and Charges grant claim.

- 5.8 Due to the high activity levels the Crematorium has seen increased costs in relation to cremator maintenance, and sanitisation costs in relation to the chapel. The current full year forecast remains cautious and the continued impact of the easing of the Covid restrictions will be closely monitored.
- 5.9 The overspend highlighted within the Human Resources area is a result of expected income for apprentice salaries not being met since the introduction of the levy in 2016/17. This is an historic budgetary pressure that has been addressed in the 2022/23 Money Plan.

Culture & Leisure

	21/22		Year End	Forecast
Culture & Leisure	Budget	Actual	Forecast	Variance
Museums	578	370	561	(17)
Guildhall & Blackfriars	410	297	418	8
Events	285	73	247	(38)
Destination Marketing	176	160	203	26
Aspire	(30)	40	21	51
Markets & Street Trading	(87)	(80)	(97)	(10)
Total	1,332	859	1,353	21

- 5.10 This portfolio is another portfolio that has been significantly affected by the loss of income due to the Covid-19 pandemic. The net expenditure for the year is currently forecast to be £21k adverse to budget. Due to the cyber incident the forecast outcome included for this service area of the Council is currently subject to a high degree of estimation due to it being more income based. The position will continue to be refined as we progress through Quarter 4 and have time to review and fully reconcile the income and expenditure items.
- 5.11 After being closed for most of 2020/21 the Council's cultural venues are starting to re-open to the public once more. The Culture & Leisure team have run a successful summer events programme and are hoping for similar success with their winter events programme. As noted in the summary above, the lost income from this service has been included in the Sales, Fees and Charges grant claim. The Culture & Leisure team have also been very active in applying for grants from various sources to support their work and to improve the venues.
- 5.12 The Council continues to support the leisure trust in the wake of the pandemic. This has led to an additional cost pressure to the Council in the 1st Quarter of 2021/22 of £50k. Since May 2021 the costs incurred by the Council in relation to Aspire are being recovered in full.

Planning and Housing

Planning & Housing Strategy	21/22		Year End	Forecast
	Budget	Actual	Forecast	Variance
Planning	(43)	176	291	334
Planning Policy	225	174	365	140
Community Infrastructure Levy	-	(224)	0	0
Land Charges	(71)	(73)	(73)	(3)
Private Sector Housing	200	80	154	(46)
Housing Strategy	114	55	91	(22)
Homelessness & Housing	906	78	715	(190)
County Homelessness Partnerships	0	0	(0)	(0)
Total	1,331	265	1,543	212

- 5.13 This portfolio is currently forecast to be adverse to budget by £212k. Due to the cyber incident the forecast outcome included for the Planning service area of the Council has worsened by £82k. This is based on the current estimates of the impacts on the 2021/22 income due to the delays caused to the Council's service provision. The position will continue to be refined as we progress through Quarter 4 and have time to review and fully reconcile the income and expenditure items.
- 5.14 The planning service is currently forecast to be £334k adverse to budget. This position is common with many planning councils around the country due to a surge in small scale planning applications from householders who have spent more time at home due to the pandemic. The statutory nature of the fees that can be charged prevents the full costs of providing the service from being recouped. It is hoped that some of the major development projects planned within the city will boost this income in the next year. This position will continue to be kept under review by the officers in the service.
- 5.15 The City Plan review process and its associated costs are being incurred during 2021/22 but as noted at the February 2021 Budget Meeting, the costs incurred in relation to this process are being met by earmarked reserves specifically put in place for this purpose in the 2020/21 financial outturn. Accordingly, the £140k forecast excess spend for Planning Policy is being met by a release of the earmarked reserve in the Corporate and Funding line in the Council Summary position.
- 5.16 The overall homelessness budget for the year is forecast to be favourable to budget by £190k as a result of a combination of the positive steps taken by the Council over the past two years to increase the temporary accommodation capacity available to it, and the actions taken to ensure all Government grant and benefit funding is being promptly claimed. This position will continue to be closely monitored during the remainder of 2021/22.

Environment

Environment & Leader	21/22 Budget	Actual	Year End Forecast	Forecast Variance
Waste & Recycling	4,554	3,130	4,342	(212)
Streetcare & City Centre	373	358	464	92
Environmental Health	188	143	196	7
Licensing	(140)	(229)	(117)	23
Parks & Countryside	183	146	217	34
Economic Development	259	198	292	33
Heritage	115	45	141	26
Climate Change & Environment	64	41	73	9
Senior Management	373	230	319	(53)
Total	5,969	4,063	5,926	(43)

- 5.17 This portfolio is currently forecast to be favourable to budget by £43k.
- 5.18 The primary cause of the favourable budget variance is increased income from recyclable materials. This is a combination of price increases for recyclable materials and improved recycling quantities has led to a significant increase in the income raised by the Council from the sale of the recycling commodities. This has created a forecast favourable variance on the Waste contract of £212k for the year, a further improvement on the Quarter 2 position of £28k.
- 5.19 There are potential future budget pressures in relation to the Waste and Streetcare contract that have been identified and will continue to be monitored during the year. These include the national shortage of HGV drivers creating upward pressures on salary costs, potential issues with the fulfilment of waste collections, and technical issues with the sorting plant equipment during January.
- 5.20 The Economic Development excess spend of £33k includes the additional cost of the Major Projects Officer who has been appointed to oversee the various capital ongoing projects in the Kings Quarter area of the city. This role is being funded by the Regeneration Reserve; which is included in the Corporate and Funding line in the Council Summary position.
- 5.21 The overspends for the other services within this portfolio are primarily a result of the various pandemic related activities that have been necessary during the year and are covered either by specific grant funding or the general Government support grants referenced in the summary above.

Corporate and Funding

- 5.22 Government support as a result of COVID19 has continued during 2021/22 with the payment of Covid Emergency Funding Grant of £743k and Tax Income Guarantee Grant of £272k in Quarter 1. As noted above there a claim for lost SFC income during Quarter 1 has been submitted for a total of £400k.
- 5.23 The report above is currently forecasting income from Business Rates and Council Tax at the levels included in the 2021/22 Budget papers; these levels will be monitored and assessed throughout the year.
- 5.24 As noted in 5.15 and 5.20 above, there is a release of earmarked reserves (the Planning Reserve and the Regeneration Reserve) to fund previously agreed specific items of expenditure in relation to the City Plan and the Major Projects officer role respectively.

6.0 Capital Programme

- 6.1 The Capital Programme budget for the year is £24.969m including budgets carried forward from 2020/21. The expenditure for the period to quarter 3, including amounts committed totals £12.067m. The Council has a number of significant projects within the capital programme and at quarter 3, forecast expenditure is in line with budget.
- 6.2 Major regeneration projects include Kings Square and The Forum. Work on Kings Square continues with the project scheduled for completion March 2022. The first phase of Kings Quarter - The Forum has started, this is a significant regeneration project for the City. Primark have taken opened their new store and the Council has purchased the freehold of the old Primark Store.
- 6.3 The Council agreed to join the Ubico waste service earlier in 2021; mobilisation of this contract continues, the Council has commenced purchasing new waste vehicles for the future provision of this service.
- 6.4 The Council continues to work with partners to deliver projects, this now includes the Cathedral Quarter as part of the Heritage Action Zones with The Historic Buildings and Monuments Commission. While work with Great Western Railway and the LEP will see improvements to the railway station, complementing our new Transport Hub.
- 6.5 The capital programme is funded from grants, capital receipts and borrowing. The current programme includes £7m grant funded projects. Significant projects including The Forum and Kings Square will be funding from borrowing with costs met from revenue generated from these projects.
- 6.6 The nature of capital projects means that many of them span a number of financial years; budgets are set per project any unspent budgets at the end of any one financial year may be carried forward into the next.
- 6.7 A summarised table for the Capital Programme is shown as **Appendix 2** to this report.

7.0 Prompt payment performance

- 7.1 The Council aims to make payments to all suppliers promptly and in accordance with contract terms. Due to the cyber incident that occurred in December 2021 we currently do not have access to sufficient data to be able to provide these statistics for the 3rd Quarter of 2021/22. Following the cyber incident processes have been put in place to ensure the continued payment of the Council's creditors as promptly as is feasible in the circumstances.

	<u>Oct</u>		<u>Nov</u>		<u>Dec</u>		<u>Qtr 3</u>	
Number paid within 30 days	-	-	-	-	-	-	-	-
Number paid over 30 days	-	-	-	-	-	-	-	-
Average Days to Pay (from receipt of invoice to payment date)		-		-		-		-

8.0 Progress against savings targets

- 8.1 The Council's 2021/22 budget was approved by Council in February 2021, and in setting the budget members agreed to the delivery of £160k savings during the year. Full details of the Council's progress against its savings targets are shown at **Appendix 3**. Budget savings have been annotated as 'green' (saving is achievable in the year), 'amber' (slippage on saving and the saving is at risk of not being delivered in 2021/22) and 'red' (the saving will not be achieved in 2021/22).

9.0 Social Value Considerations

- 9.1 There are no social value implications as a result of this report.

10.0 Alternative Options Considered

- 10.1 A wide range of options are explored by officers in order to reduce budgetary pressure, to achieve savings targets, and to ensure value for money.

11.0 Reasons for Recommendations

- 11.1 It is a good practice for members to be regularly informed of the current financial position of the Council. This report is intended to make members any of any significant issues in relation to financial standing and any actions that officers are taking in response to identified variances.

12.0 Future Work and Conclusions

- 12.1 Work will continue to reach savings targets or limit in year budget pressures.

13.0 Financial Implications

- 13.1 All financial implications are within the report, which is of a wholly financial nature.

14.0 Legal Implications

- 14.1 There are no legal implications from this report. One Legal have been consulted in the preparation this report.

15.0 Risk & Opportunity Management Implications

- 15.1 There are no specific risks or opportunities as a result of this report

16.0 People Impact Assessment (PIA):

- 16.1 A PIA screening assessment has been undertaken and the impact is neutral. A full PIA is not required.

17.0 Other Corporate Implications

Community Safety / Sustainability / Staffing & Trade Union

- 17.1 None